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Winter royalty gas sale draws strong bids

Approximately 387,000 MMBtu (million British Thermal Units) of Royalty-in-Kind (RIK) gas produced daily from federal leases in the Gulf of Mexico was sold to 10 companies during a winter heating season sale conducted by the Department of the Interior's Minerals Management Service.

The sale was concluded Oct. 7 and provides for a total of 387,000 MMBtu of RIK gas per day to be delivered to 11 offshore pipeline systems originating in the Gulf of Mexico, and destined for consumer and industry use during this winter's heating season. The sales are for five or 12-month terms with delivery beginning Nov. 1, 2004.

"The competition for this sale was extremely strong," said Minerals Management Service Director Johnnie Burton, noting that 97 bids were entered for the 14 individual gas sales packages. "Taking this royalty gas in-kind," she added, "ensures that the federal government and taxpayers receive a fair market value for this critical energy resource."

The packages from this sale, combined with packages already being delivered from a March 2004 RIK gas sale, will total a daily delivery by MMS of 560,000 MMBtu of federal royalty gas for sale beginning Nov. 1, 2004.

Companies awarded sales packages represent large integrated producers, marketing companies, financial institutions and affiliates of local distribution companies/utilities.

The gas "Royalty-in-Kind" effort, originally begun as a pilot program in the late 1990s, continues to provide strong returns to the federal government and taxpayers. In the past, the government historically collected revenues in the form of "Royalty-in-Value" cash payments made by those who lease and produce gas on federal lands. Taking "Royalty-in-Kind," in the form of product, allows the government to maximize taxpayer assets, reduce regulatory costs and reporting requirements, and improve overall business efficiencies.

The Minerals Management Service is the federal agency responsible for managing the nation's oil, natural gas, and other mineral resources on the Outer Continental Shelf in federal offshore waters. The agency also collects, accounts for, and disburses mineral revenues from federal and American Indian lands. Those revenues totaled more than \$8 billion in 2003 and more than \$143 billion since the agency was created in 1982.

All revenues collected from American Indian lands are returned to Indian Tribes and individual Indian allottees. A percentage of funds also are distributed to individual states where energy production activities occur. The remaining revenues are distributed to the Land and Water Conservation Fund, the National Historic Preservation Fund, and the Reclamation Fund, which benefits all Americans, as well as to the U.S. Treasury.

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